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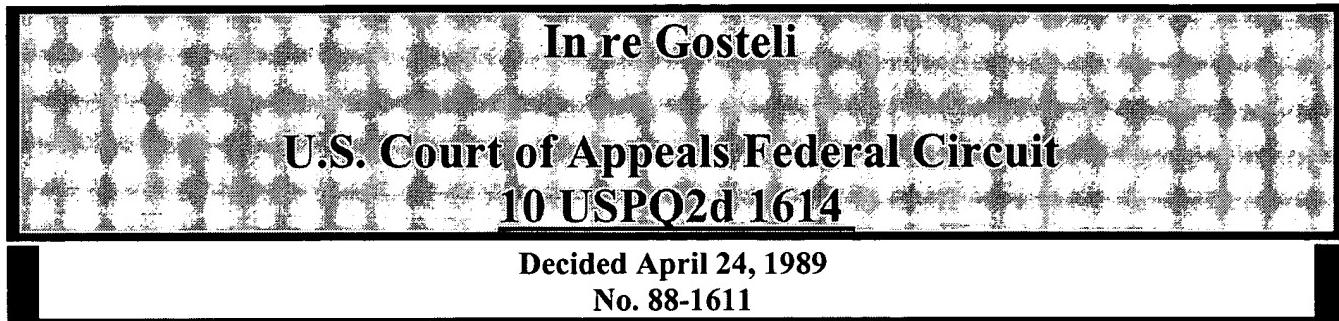
**FULL TEXT OF CASES (USPQ2D)**

All Other Cases

In re Gosteli (CA FC) 10 USPQ2d 1614 (4/24/1989)

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In re Gosteli (CA FC) 10 USPQ2d 1614



**Headnotes**

**PATENTS**

**1. Practice and procedure in U.S. Patent and Trademark Office -- Prosecution -- Filing date \_**  
**(§ 110.0906)**

**Patentability/Validity -- Date of invention -- In general (§ 115.0401)**

Use of word "invention" in 35 USC 119 clearly refers to what claims define, not what is disclosed in foreign application, and thus if effective filing date for subject matter claimed in U.S. application is in issue, foreign application relied upon for priority under Section 119 must be examined to determine whether it supports, within meaning of 35 USC 112's first paragraph, what is claimed in U.S. application, and claims in issue are therefore entitled to benefit of foreign priority date only if foreign application properly supports such claims as required by Section 112.

**2. Practice and procedure in U.S. Patent and Trademark Office -- Prosecution -- Filing date \_**  
**(§ 110.0906)**

**Patentability/Validity -- Date of invention -- In general (§ 115.0401)**

Decision of Court of Customs and Patent Appeals in *In re Ziegler*, 146 USPQ 76, which held that foreign application relied upon for priority under 35 USC 119 need show support only for so much of

claimed invention as is disclosed in anticipating prior art reference in order to achieve priority date for entirety of claimed invention, does not conflict with CCPA cases holding that claims of U.S. application are entitled to benefit of foreign priority date only if foreign application fully supports them as required by first paragraph of 35 USC 112, since Section 112 compliance was not at issue in *Ziegler*, and any inconsistency between language in *Ziegler* and other cases has been removed sub silentio by later decisions in which court sat en banc.

### **3. Patentability/Validity -- Date of invention -- Reduction to practice (§ 115.0405)**

Declaration of foreign application's priority date, made pursuant to 37 CFR 1.131 to overcome anticipating reference, does not establish reduction to practice as required by Section 1.131(b), since regulation requires declaration to allege acts that establish completion of invention "in this country" before effective date of prior art reference, and applicants allege no inventive acts inside U.S.

### **4. Patentability/Validity -- Date of invention -- In general (§ 115.0401)**

#### **Patentability/Validity -- Adequacy of disclosure (§ 115.12)**

Foreign patent application relied upon for priority over anticipating reference pursuant to 35 USC 119 did not provide adequate written description of entire subject matter of claims in U.S. application as required by 35 USC 112's first paragraph, since, although foreign application need not describe claimed subject matter exactly, description must clearly allow persons of ordinary skill in art to recognize that applicants invented claimed subject matter, and it is undisputed that U.S. application contains subject matter not included in foreign application.

#### **Case History and Disposition:**

Page 1615

Appeal from decision of Patent and Trademark Office Board of Patent Appeals and Interferences.

Application for patent of Jacques Gosteli, Ivan Ernest, and Robert B. Woodward, serial no. 423,348. From decision of Board of Patent Appeals and Interferences affirming examiner's final rejection of claims 48-51, applicants appeal. Affirmed.

#### **Attorneys:**

Bruce M. Collins, of Mathews, Woodbridge, Goebel, Pugh & Collins, Morristown, N.J., for appellant.

Fred E. McKelvey, solicitor (Charles E. Van Horn, deputy solicitor, John W. Dewhirst and Harris A. Pitlick, associate solicitors, with him on brief), for appellee.

Raymond C. Stewart, of Birch, Stewart, Kolasch & Birch, Falls Church, Va., for amicus curiae Kitamura et al.

**Judge:**

Before Bissell and Archer, circuit judges, and Re, chief judge (U.S. Court of International Trade, sitting by designation).

**Opinion Text****Opinion By:**

Bissell, J.

The decision of the United States Patent and Trademark Office (PTO) Board of Patent Appeals and Interferences (Board), Appeal No. 665-18 (June 30, 1988), affirming the examiner's final rejection of claims 48-51 in the patent application, Serial No. 423,348, of Jacques Gosteli, Ivan Ernest and Robert B. Woodward [hereinafter Gosteli or Applicants], under 35 U.S.C. §102(e) (1982), is affirmed.

**BACKGROUND**

Gosteli's patent application discloses bicyclic thia-aza compounds containing a betalactam ring unsubstituted in the beta-position and having antibiotic properties. The claimed compounds are chemical intermediates used in the preparation of antibiotics known as 2-penems. Claims 48 (see Appendix A) and 49 are Markush-type genus claims, and dependent claims 50 (see Appendix A) and 51 are subgenus claims, each consisting of 21 specific chemical species. The examiner rejected claims 48-51 under section 102(e) as being anticipated by United States Patent No. 4,155,912 (Menard).

Menard discloses, but does not claim, a first species,

2-[(4R,S)-4-Acetylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p* nitrobenzyl ester, that is within the scope of claims 48 and 50, and a second species,

2-[(4R,S)-4-Acetylthio-2-oxo-1-azetidinyl]-2-chloroacetic acid *p* -nitrobenzyl ester, that is within the scope of claims 49 and 51.

Attempting to antedate Menard, Gosteli claimed the benefit, under 35 U.S.C. §119 (1982), of their Luxembourg patent application's foreign priority date. The disclosure of the Luxembourg application is not as complete as that of Gosteli's United States application. The Luxembourg application discloses a subgenus of the genus claimed in the United States application and specifically describes the two chemical species disclosed by Menard. Menard's effective date is December 14, 1977, seven months after the May 9, 1977, filing date of Gosteli's Luxembourg application, but five months before Gosteli's May 4, 1978, United States filing date. Thus, Menard is not an effective reference under section 102(e) if Applicants are entitled to their Luxembourg priority date.

The Board denied Gosteli the benefit of their Luxembourg priority date reasoning that:

problem in attempting to antedate the Menard reference is that their Luxembourg priority application does not disclose the "same invention" in a manner that complies with the first paragraph of 35 USC 112 as is claimed in the claims on appeal (48-51). In other words claims 48-51 contain considerable subject matter which is not specifically disclosed in the Luxembourg application.

....  
Since [Gosteli's] Luxembourg application does not provide a written description of the entire subject matter set forth in the appealed claims 48-51, as required by the first paragraph of 35 USC 112, we have concluded that claims 48-51 have an effective filing date as of the May 4, 1978 filing date of [Gosteli's] grandparent application Serial No. 902,639, and not as of the Luxembourg filing date. Accordingly, [Applicants have] not antedated the Menard reference.

*Gosteli*, Appeal No. 665-18, slip op. at 2, 3.

Alternatively, Gosteli attempted to swear behind Menard by using declarations submitted under 37 C.F.R. §1.131 (1988) (Rule 131). The Board rejected the use of Rule 131, because "the declaration does not . . . contain 'facts showing a completion of the invention in this country before the filing date of Menard.'" *Gosteli*, Appeal No. 665-18, slip op. at 4. Gosteli appeals from the Board's decision, and the Institute of Bio-

Active Science, Nippon Zoki Pharmaceutical Co., Ltd., filed an amicus curiae brief.

## ISSUES

1. Whether claims 48-51 are entitled, under section 119, to the benefit of a foreign priority date.
2. Whether Rule 131 allows Gosteli to swear behind the two chemical species disclosed in Menard by establishing a constructive reduction to practice in this country based on Gosteli's foreign priority date of those two species.
3. Whether Gosteli's Luxembourg priority application provides a written description sufficient to support the entire subject matter of claims 48-51, as required by 35 U.S.C. §112, ¶1 (1982).

## OPINION

### *I. Section 119*

Claims 48-51 of Gosteli's application stand rejected under section 102(e) as anticipated by Menard. The two chemical species disclosed by Gosteli's Luxembourg priority application are disclosed by Menard and also fall within the scope of the claims on appeal. Section 102(e) bars the issuance of a patent if its generic claims are anticipated by prior art disclosing individual chemical species. *See, e.g., In re Slayter*, 276 F.2d 408, 411, 125 USPQ 345, 347 (CCPA 1960) (stating that species anticipate a generic claim). The parties agree that Menard is an effective anticipatory prior art reference unless Applicants are entitled to their Luxembourg priority date.

Generally, an applicant may antedate prior art by relying on the benefit of a previously filed foreign application to establish an effective date earlier than that of the reference. *See* 35 U.S.C. §119; *In re Wertheim*, 541 F.2d 257, 261, 191 USPQ 90, 95-96 (CCPA 1976); Rollins, *35 USC 119-Description and Enablement Requirements*, 67 J. Pat. Off. Soc'y 386, 386 (1985). Under section 119, the claims set forth in a United States application are entitled to the benefit of a foreign priority date if the corresponding foreign application supports the claims in the manner required by section 112, ¶1.

*Wertheim*, 541 F.2d at 261-62, 191 USPQ at 95-96; *Kawai v. Metlesics*, 480 F.2d 880, 887-89, 178 USPQ 158, 164-65 (CCPA 1973).

[1] Gosteli contends that their rights under section 119 are determined by focusing on (1) what is the subject matter disclosed in the Luxembourg priority application, and (2) whether that subject matter removes Menard. We disagree with Gosteli's reading of section 119. The statute provides, in pertinent part:

An application for patent for an invention filed in this country by any person who has . . . previously regularly filed an application for a patent for the same invention in a foreign country . . . shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country . . . .

35 U.S.C. §119. The reference to the "invention" in section 119 clearly refers to what the claims define, not what is disclosed in the foreign application. Cf. *In re Scheiber*, 587 F.2d 59, 61, 199 USPQ 782, 784 (CCPA 1978) (stating that "invention" as used in 35 U.S.C. §120 (Supp. IV 1986), refers to what is claimed). Section 119 provides that a foreign application "shall have the same effect" as if it had been filed in the United States. 35 U.S.C. §119. Accordingly, if the effective filing date of what is claimed in a United States application is at issue, to preserve symmetry of treatment between sections 120 and 119, the foreign priority application must be examined to ascertain if it supports, within the meaning of section 112, ¶1, what is claimed in the United States application. Compare *Kawai*, 480 F.2d at 886, 178 USPQ at 162-63 (construing the section 112, ¶1 requirements of section 119) with *Scheiber*, 587 F.2d at 62, 199 USPQ at 784-85 (construing the section 112, ¶1 requirements of section 120).

At oral argument, the government conceded that if Gosteli claims the species disclosed in the Luxembourg application they would be entitled to the foreign priority date with regard to those claims. Thus, Menard would be ineffective as a reference against those claimed species, or any other claim

properly supported by the Luxembourg disclosure as required by section 112, ¶1. We conclude, therefore, that claims 48-51 are entitled to the benefit of their foreign priority date under section 119 only if the foreign priority application properly supports them as required by section 112, ¶1. An application relying on the benefit of an earlier filing date in the United States would receive the same treatment under 35 U.S.C. §120. *See Kawai*, 480 F.2d at 886, 178 USPQ at 163.

**"In re Ziegler"**

[2] The Federal Circuit has adopted as precedent the decisions of the Court of Customs and Patent Appeals (CCPA). *See South Corp. v. United States*, 690 F.2d 1368, 1369, 215 USPQ 657, 657 (Fed. Cir.

Page 1617

1982). The government urges on appeal that *In re Ziegler*, 347 F.2d 642, 146 USPQ 76 (CCPA 1965), should be overruled as in conflict with *Wertheim*, *Kawai*, *Scheiber*, and *In re Smyth*, 189 F.2d 982, 90 USPQ 106 (CCPA 1951). According to the government, *Ziegler's* fundamental premise is that a foreign application need show support for only so much of the claimed invention as is disclosed in the prior art reference to achieve a priority date for the entirety of the claimed invention. *Accord In re Kitamura*, 9 USPQ2d 1787 (Bd. Pat. App. Int. 1988) (providing an extensive discussion by an expanded Board on the same issue).

*Ziegler* never mentions section 112 by name in its analysis of section 119, and yet the application of section 112 to section 119 had already been set forth in *Smyth*. *See Kawai*, 480 F.2d at 887-89, 178 USPQ at 163-65; *see also Rollins, 35 USC 119-Description and Enablement Requirements*, 67 J. Pat. Off. Soc'y at 391-92 (discussing *Smyth*). We conclude that *Ziegler* did not examine section 112 compliance because the issue was not in dispute. The court stated that "[t]here is no question here that the [foreign priority] applications adequately support the broad claims, once the references have been antedated as to the narrow subject matter which they disclose." *Ziegler*, 374 F.2d at 650, 146 USPQ at 82-83. In other words, all claims in the United States application were properly supported, as required by section 112, ¶1, by *Ziegler's* foreign priority applications. Furthermore, both *Kawai*, 480 F.2d at 889, 178 USPQ at 165 and *Wertheim*, 541 F.2d at 262 n.6, 191 USPQ at 96 n.6, cite *Ziegler*; neither case recognizes a conflict nor an inconsistency.

However, we agree with the government that there is inconsistent language in these decisions. To the extent that *Ziegler's* language is inconsistent with that in *Kawai*, *Wertheim*, and *Scheiber*, that inconsistency has already been *sub silentio* removed. The CCPA's later decisions control because that court always sat *en banc*. Accordingly, we conclude that no conflict currently exists.

**II. Rule 131**

As an alternative position, Gosteli contends that they can swear behind Menard, under Rule 131, by establishing a constructive reduction to practice in this country based on their foreign priority date of the two species disclosed by Menard. They reason that the use of a foreign priority date to establish the reduction to practice component for a Rule 131(b) showing is authorized by *In re Mulder*, 716 F.2d 1542, 1544-46, 219 USPQ 189, 192-94 (Fed. Cir. 1983), and therefore, showing priority with respect only to as much of the invention as Menard discloses is needed. Gosteli cites the rationale in *In re Stempel*, 241 F.2d 755, 760, 113 USPQ 77, 81 (CCPA 1957), in support of their reasoning. We disagree.

[3] Rule 131 requirements are quite specific. To antedate a prior art reference, the applicant submits an oath or declaration alleging acts that establish a completion of the *invention in this country* before the effective date of the prior art. 37 C.F.R. §1.131(a).

The requirements and operation of section 119 differ from those of Rule 131. Cf. *Scheiber*, 587 F.2d at 61-62, 199 USPQ at 784 (explaining a similar contrast between section 120 and Rule 131). Rule 131 provides a mechanism for removing specific prior art references, whereas section 119 is concerned only

with an applicant's effective filing date. *Cf. id.* Because section 119, unlike rule 131, operates independently of the prior art, it is appropriate that the showing required under section 119 differs from that required under Rule 131. *Cf. id.*

This case is distinguishable from *Mulder*. Gosteli's declarations make no mention of acts in this country. Gosteli relies on their Luxembourg application for a constructive reduction to practice date for the two chemical species at issue. That reliance is misplaced. *Mulder* is not purely a section 119 case. In *Mulder*, the conception date was based on activity in the United States, a date earlier than the prior art. *Mulder* was permitted to establish a constructive reduction to practice date based on his foreign filing. However, the constructive reduction to practice date was after the prior art. Rule 131 permitted *Mulder* to swear behind the reference, from the constructive reduction to practice date back to his conception date. The use of a foreign filing date in such circumstances is not inconsistent with our decisions. In *Mulder*, there was no dispute about compliance with the section 112 requirements subsumed in section 119. See *Mulder*, 716 F.2d at 1543, 219 USPQ at 191 (stating that "[t]here is no question that applicants complied with all the formalities required by §119 and related PTO rules"). Gosteli does not point to any activity inside the United States. Furthermore, Gosteli would not need activity in this country if section 119 gave them the benefit of an effective foreign filing date prior to Menard. Under these circumstances, Rule 131 is irrelevant. Thus, we affirm the Board; Gosteli

Page 1618

cannot use the Rule 131 declarations filed to swear behind Menard.

### **III. Written Description Requirement**

[4] The Board found that Gosteli's Luxembourg application did not provide a sufficient written description of the entire subject matter of claims 48-51, as required by the first paragraph of section 112, *Gosteli*, Appeal No. 665-18, slip op. at 3, and, accordingly, section 119 was not effective to antedate Menard. Although Gosteli does not have to describe exactly the subject matter claimed, *In re Lukach*, 442 F.2d 967, 969, 169 USPQ 795, 796 (CCPA 1971), the description must clearly allow persons of ordinary skill in the art to recognize that Gosteli invented what is claimed. *Wertheim*, 541 F.2d at 262, 191 USPQ at 96. We review this factual inquiry under the clearly erroneous standard. See *id.*

"[T]he PTO has the initial burden of presenting evidence or reasons why persons skilled in the art would not recognize in the disclosure a description of the invention defined by the claims." *Id.* at 263, 191 USPQ at 97. In this case, the PTO has met that burden by pointing out number of differences between what is disclosed in the Luxembourg priority application and what is claimed in Gosteli's United States application. Gosteli does not dispute that additional subject matter is present in the United States application. Accordingly, the Board's findings are not clearly erroneous.

The Board's decision is

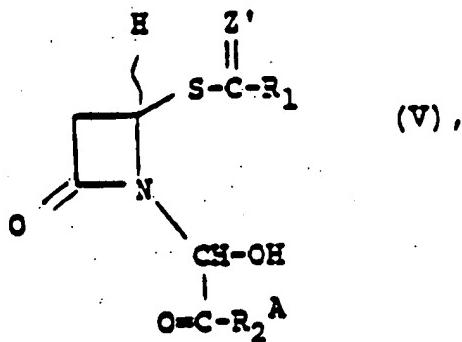
**AFFIRMED.**

### **Appendix**

#### **APPENDIX A**

Representative claims 48 and 50 of the Gosteli application are set forth below.

48. Compounds of the formula



in which

Z' represents oxygen, sulphur or a methylidene group optionally mono- or di-substituted by lower alkyl, cycloalkyl, cycloalkyl-lower alkyl, phenyl, phenyl-lower alkyl or esterified carboxy,

R<sub>1</sub> represents hydrogen; lower alkyl; lower alkyl monosubstituted by

hydroxy, lower alkoxy, lower alkanoyloxy, halogen, mercapto, lower alkylthio, carboxyl, carbamoyl, cyano, nitro, amino, amino mono- or di-substituted by lower alkyl, lower alkyleneamino or amino acylated by acetyl, phenoxyacetyl, tert.butoxy-carbonyl, benzyloxycarbonyl or p-nitrobenzyl-oxycarbonyl;

carboxyl; protected carboxyl; aminocarbonyl; aminocarbonyl mono- or di-substituted by lower alkyl; cycloalkyl; cyclo-alkyl-lower alkyl; phenyl; naphthyl; phenyl-lower alkyl; phenyl, naphthyl or phenyl-lower alkyl mono-substituted by

lower alkyl, lower alkoxy, halogen, nitro, amino or di-lower alkylamino;

pyridyl; thienyl; furyl; pyridyl-lower alkyl; thienyl-lower alkyl; furyl-lower alkyl; lower alkylthio; cycloalkylthio; cycloalkyl-lower alkylthio; phenylthio; phenyl-lower alkylthio; or lower alkylthio, lower alkenylthio, cycloalkylthio, cycloalkyl-lower alkyl-thio, phenylthio or phenyl-lower alkylthio monosubstituted by hydroxy, lower alkoxy, lower alkanoyloxy, halogen, mercapto, lower alkylthio, carboxyl, carbamoyl, cyano, nitro, amino, amino mono- or di-substituted by lower alkyl, lower alkanoylamino or lower alkyleneamino; and

R<sub>2</sub>A together with the carbonyl grouping -C(=O)- to which it is attached represents a protected carboxyl group, in racemic or optically active form.

50. A compound of the formula (V) according to claim 48 selected from the group consisting of

2-[(4R,S)-4-Acetylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-Phenylacetylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-(2-Furoylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-(3-Dimethylaminobenzoylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-(3-Methoxycarbonylpropionylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-Benzoylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-Acetoxyacetylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-Hexanoylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-tert.-Butylthioacetylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-(4-*p*-Nitrobenzyloxycarbonylamino-butylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-(3-*p*-Nitrobenzyloxycarbonylamino-propionylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,

2-[(4R,S)-4-(4-Benzylloxycarbonylamino-butyrylthio)-2-oxo-1-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester,  
2-[(4R,S)-4-[2-(2-Phenoxyacetylamino)-acetylthio]-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester [sic]  
2-[(4R,S)-4-Ethylthiocarbonylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester [sic]  
2-[(4R,S)-4-(cis-2-methoxycarbonylvinylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid acetyl ester,  
2-[(4S)-4-(cis-2-(1)-menthyloxycarbonylvinylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid acetyl ester,  
2-[(4R)-4-(cis-2-(1)-menthyloxycarbonylvinylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid acetyl ester,  
2-[(4S)-4-(trans-2-(1)-menthyloxycarbonylvinylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid acetyl ester,  
2-[(4R)-4-(trans-2-(1)-menthyloxycarbonylvinylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid acetyl ester,  
2-[(4R)-4-acetylthio-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester, and  
2-[(4R,S)-4-(nicotinoylthio)-2-oxo-1-azetidinyl]-2-hydroxyacetic acid *p*-nitrobenzyl ester.

**- End of Case -**

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**FULL TEXT OF CASES (USPQ2D)****All Other Cases**

Studiengesellschaft Kohle m.b.H. v. Shell Oil Co. (CA FC) 42 USPQ2d 1674 (5/5/1997)

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Studiengesellschaft Kohle m.b.H. v. Shell Oil Co. (CA FC) 42 USPQ2d 1674

**Studiengesellschaft Kohle m.b.H. v. Shell Oil Co.**

**U.S. Court of Appeals Federal Circuit  
42 USPQ2d 1674**

**Decided May 5, 1997  
No. 96-1079**

**Headnotes****PATENTS****1. Practice and procedure in Patent and Trademark Office -- Prosecution -- Filing date \_  
(§ 110.0906)**

In order for patent application to receive benefit of earlier filing date from prior application pursuant to 35 USC 120, earlier-filed application must contain disclosure which complies with first paragraph of 35 USC 112 for each claim in newly filed application; claim therefore complies with Section 120 and acquires earlier filing date only if it could have been added to earlier application without introducing new matter.

**2. Practice and procedure in Patent and Trademark Office -- Prosecution -- Filing date \_  
(§ 110.0906)**

Patent claim that relies upon combination of previously-filed applications is not entitled to earlier filing date under 35 USC 120, since applicant has not demonstrated possession of complete invention at time of earlier application; 35 USC 120 requires applicant to meet disclosure requirement of 35 USC 112, first paragraph, in single parent application in order to obtain earlier filing date for individual claims.

**3. Practice and procedure in Patent and Trademark Office -- Prosecution -- Filing date \_  
(§ 110.0906)**

Patent in suit is not eligible for earlier filing date based on two earlier-filed

applications, since disclosures of two earlier-filed applications cannot be combined to acquire earlier filing date under 35 USC 120, since neither application alone shows complete possession of invention claimed in patent, and since individual claims of patent thus could not have been added to any single, previously filed application without introducing new matter.

## **JUDICIAL PRACTICE AND PROCEDURE**

### **4. Procedure -- Summary judgment -- Patents (§ 410.3303)**

Question of infringement of patent claim remained before federal district court following court's grant of defendant's motion for summary judgment, since motion did not resolve infringement issue as to that claim, since plaintiff, although it did not reassert infringement of claim following defendant's motion, did not state that infringement of other remaining claims were only issues remaining in suit, and since record does not reveal any valid reason for declining to consider issue of infringement of claim in question.

### **5. Procedure -- Pleadings (§ 410.26)**

Judgment that issue of infringement of patent by defendant's polybutylene production operations was not properly before federal district court is reversed and remanded, since infringement claim was raised in plaintiff's memorandum in opposition to defendant's motion for summary judgment, and court's finding that claim appeared for first time in joint pretrial order is therefore clearly erroneous, and since plaintiff may, under certain circumstances, introduce new cause of action through its pretrial order pursuant to Fed.R.Civ.P. 15(b).

## **PATENTS**

### **6. Title -- License (§ 150.05)**

## **REMEDIES**

### **Monetary -- Damages -- Patents -- In general (§ 510.0507.01)**

Enforcement of license for patent that has been held invalid would require licensee to pay back royalties, assuming that accused process infringes patent, since contract obligates defendant to pay royalties on product manufactured in accordance with patent, since enforcement of contract terms is not contingent upon validity of patent which defines subject matter of license, and since defendant licensee breached license by failing to pay royalties on product manufactured under accused process.

## PATENTS

### **7. Title -- License (§ 150.05)**

Enforcement of license to use now-invalidated patent, to extent of allowing plaintiff to recover royalties payable until date defendant licensee first challenged validity, will not result in any significant frustration of federal patent policy, since contract secured significant benefits for defendant and attested to worth of patent, and since injustice inherent in allowing defendant to first exploit protection of contract and patent rights, and to then conveniently abandon its obligations thereunder, must be prevented; defendant's apparent breach of its contractual duty to notify plaintiff of its production under accused process is more likely to frustrate federal patent policy than enforcement of contract, since by abrogating that duty, defendant delayed timely challenge to validity of licensed patent and postponed public's full and free use of invention.

### **8. Patentability/Validity -- In general (§ 115.01)**

#### **Title -- License (§ 150.05)**

Doctrine which provides that patent licensee should not be estopped from contesting validity of licensed patent cannot be invoked by licensee until licensee actually ceases payment of royalties, and provides notice to licensor that reason for ceasing payment is licensee's determination that relevant claims are invalid.

Particular patents -- Chemical -- Polymer production method

4,125,698, Ziegler and Holzkamp, polymerization of ethylenically unsaturated hydrocarbons, claims 1-6 and 14 invalid; issue of infringement of claims 7, 9-13, and 15 remanded.

#### **Case History and Disposition:**

Page 1675

Appeal from the U.S. District Court for the Southern District of Texas, Gilmore, J.

Action by Studiengesellschaft Kohle m.b.H. against Shell Oil Co. for patent infringement. From judgment holding claims 1-6 and 14 of patent in suit invalid, and from determination that infringement of claims 7, 9-13, and 15 were not properly before court, plaintiff appeals. Affirmed in part, reversed in part, and remanded.

Related decisions: 41 USPQ2d 1518 ; 228 USPQ 837 .

**Attorneys:**

Nathaniel D. Kramer and Arnold Sprung, of Sprung, Horn, Kramer & Woods, Tarrytown, N.Y., for plaintiff-appellant.

Page 1676

John D. Norris and Russell L. Sandidge, of Arnold, White & Durkee, Houston, Texas; A.M.T. Finch Jr. and Dean F. Vance, of Shell Oil Co., Houston, for defendant/cross-appellant.

**Judge:**

Before Rader, Schall, and Bryson, circuit judges.

**Opinion Text****Opinion By:**

Rader, J.

The United States District Court for the Southern District of Texas determined that claims 1-6 and 14 of U.S. Patent No. 4,125,698 ('698 patent) are invalid, and that infringement of claim 13 by Shell Oil Company's (Shell) polypropylene operations and infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations were not properly before the court. Studiengesellschaft Kohle m.b.H. (SGK), the owner of the '698 patent, appeals these decisions. Further, the district court certified the following question under 28 U.S.C. Section 1292(b) (1994):

Where the Court has found the relevant patent claims invalid, may the Licensor recover damages for breach of contract for past royalties due on processes allegedly covered by such claims, from the date of the alleged breach until the date that the Licensee first challenged validity of the claims?

Because an applicant cannot combine multiple prior applications to obtain an earlier filing date for an individual claim, this court affirms the district court's invalidity holding. Because infringement involving claim 13 and Shell's polybutylene operations was properly before the district court, this court reverses and remands. Finally, this court answers the certified question in the affirmative.

I.

SGK is the licensing arm of a famous, non-profit research and educational organization in Germany -- the Max-Planck Institute for Coal Research. The '698 patent is part of a family of patents filed by Professor Karl Ziegler, a Nobel laureate and past director of the Max-Planck Institute, and various co-inventors. Ziegler and his co-workers initially discovered that combinations of reducing agents (most notably organoaluminum compounds) and heavy metal compounds would polymerize ethylene to form high molecular plastics. Ziegler extended this discovery to the polymerization of higher members of the ethylene series, such as propylene and butene. Ziegler, et al. filed the 770,484 application, which matured into the '698 patent, on October 29, 1958.

In another case, this court categorized the '698 patent as a continuation-in-part (CIP) because it was not limited to a single parent application. See *Studiengesellschaft Kohle m.b.H. v. Northern Petrochemical Co.*, 784 F.2d 351, 352, 228 USPQ 837, 838 (Fed. Cir. 1986). The 770,484 CIP application, which was filed on October 29, 1958, combined Ziegler's 482,412 application, filed January 17, 1955, with his 514,068 application, filed June 8, 1955. On December 6, 1955, over a year before the filing of the 770,484 application, Belgian Patent No. 538,782 (the Belgian Patent) issued. Claims 1-6 and 14 of the '698 patent, both parties agree, cover a process disclosed in the Belgian Patent. Shell and SGK first entered into an agreement involving the Ziegler family of patents in 1974. Under

that agreement, SGK licensed Shell to polymerize propylene under the Ziegler patents. When the '698 patent issued in 1978, the 1974 agreement already authorized Shell to practice the claimed process. In 1987, after several disputes over this license, Shell and SGK renegotiated the license only with regard to the '698 patent. The new terms provided Shell a paid-up license to produce 450 million pounds of polypropylene per year, with a 1.5% running royalty on any polypropylene sales in excess of 450 million pounds. Further, the amended agreement obligated Shell to give a yearly accounting of its entire polypropylene production. In that yearly accounting, Shell was to "specify the amount of Polypropylene produced which it considers as falling outside of the license and . . . provide SGK, in confidence, with sufficient information to allow SGK to independently evaluate whether or not said production is, in fact, outside of the scope of the license."

In 1987, Shell also began producing polypropylene by an alleged new process in Seadrift, Texas (the Seadrift Process). Because Shell contended that the '698 patent did not cover the Seadrift Process, Shell did not pay royalties on polypropylene produced by that process. Moreover, in its yearly accountings to SGK, Shell did not disclose its production of polypropylene by the Seadrift Process.

Ultimately, SGK terminated Shell's license and brought an action for unpaid royalties from 1987 through 1993. Additionally, SGK set forth claims for infringement of the '698 patent for the period 1993 through 1995. Shell moved for summary judgment of invalidity of claims 1-6 and 14 of the '698 patent based on anticipation by the Belgian patent. SGK responded by arguing that the '698 patent is not anticipated because it is entitled to an earlier filing date than the

Page 1677

Belgian patent. To arrive at this earlier filing date, SGK relied on 35 U.S.C. Section 120 (1994) to combine the disclosures of the two earlier patent applications (the 482,412 application and the 514,068 application).

The district court held that section 120 does not permit the combination of two earlier disclosures to acquire an earlier filing date, because "an earlier application must comply with the requirements of Section 112 for each claim that seeks the benefit of the filing date of that earlier application." As none of the parent applications alone describes the invention recited in claims 1-6 and 14 of the '698 patent, the district court held that these claims were only entitled to the filing date of the continuation-in-part application (October 29, 1958). Thus, the district court determined that the Belgian Patent anticipated claims 1-6 and 14 of the '698 patent, and, therefore, granted summary judgment of invalidity under 35 U.S.C. Section 102(b).

The district court further ruled that the only matter remaining before it was SGK's claim for royalties under the parties' license. In that regard, the district court held that a licensor could recover damages for breach of a license agreement where the validity of the underlying patent was not challenged until after the breach occurred. The district court certified the question of whether the invalidity determination on claims 1-6 and 14 would affect plaintiff's claim for unpaid royalties for the period before Shell challenged the validity of the patent.

## II.

On appeal, SGK contends that the district court erred in concluding that the disclosures of two earlier filed applications cannot be combined to acquire an earlier filing date under 35 U.S.C. Section 120, and in granting summary judgment of invalidity based on that ruling. This court reviews issues of statutory interpretation *de novo*. See *In re Carlson*, 983 F.2d 1032, 1035, 25 USPQ2d 1207, 1209 (Fed. Cir. 1992). Additionally, this court reviews a grant of summary judgment *de novo*. See *Winner Int'l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 376, 15 USPQ2d 1076, 1077 (Fed. Cir. 1990).

[1] Section 120 sets forth the requirements for a patent application to receive the benefit of the earlier filing date from a prior application:

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States . . . which is filed by an

inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application . . . if it contains or is amended to contain a specific reference to the earlier filed application.

35 U.S.C. Section 120. To qualify for an earlier filing date, section 120 requires, *inter alia*, that the earlier-filed U.S. patent application contain a disclosure which complies with 35 U.S.C. Section 112, Para. 1 (1994) for each claim in the newly filed application. Thus, this benefit only applies to claims that recite subject matter adequately described in an earlier application, and does not extend to claims with subject matter outside the description in the earlier application. *See Waldemar Link, GmbH & Co. v. Osteonics Corp.*, 32 F.3d 556, 558-59, 31 USPQ2d 1855, 1857 (Fed. Cir. 1994). In other words, a claim complies with 35 U.S.C. Section 120 and acquires an earlier filing date if, and only if, it could have been added to an earlier application without introducing new matter. *See Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1566, 28 USPQ2d 1081, 1088-89 (Fed. Cir. 1993).

[2] Under 35 U.S.C. Section 112, Para. 1, and consequently under 35 U.S.C. Section 120 as well, an applicant must "convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention." *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563-64, 19 USPQ2d 1111, 1117 (Fed. Cir. 1991). An applicant cannot show possession of an invention based upon a combination of several distinct previous applications unless he shows that one of the applications discloses the invention. *See In re Scheiber*, 199 USPQ 782, 785 (CCPA 1978) (Baldwin, J., concurring). In other words, a claim that relies upon a combination of previously-filed applications is not entitled to an earlier filing date because the applicant has not demonstrated possession of the complete invention at the time of an earlier application. *Id.* at 785 ("[A]ppellant is asking [the court] to make the decision that various bits of his claimed invention are supported in the parent applications. . . . The majority opinion properly rejects this approach."). In sum, 35 U.S.C. Section 120 requires an applicant to meet the disclosure requirement of Section 112, Para. 1 in a single parent application in order to obtain an earlier filing date for individual claims.

Appellant relies on *Ex Parte Janin*, 209 USPQ at 761 (PTO Bd. App. 1980) for the proposition that parent applications may be

Page 1678

combined to support a later claim. *In Janin*, the Board allowed the appellant to rely on the combined disclosure of two parent applications to support a single claim in a later-filed application. The Board distinguished that case from the situation in *Scheiber*: "[H]ere, the basic process and claimed improvement is disclosed in each of the parent applications and it is only in considering the basic starting materials that we have to direct our attention to separate applications to find adequate support." *Janin*, 209 USPQ at 764. *Janin* attempts to distinguish the situation where one patent application discloses most of the claimed invention and the other application only provides one small aspect to complete the claimed invention from a situation where both parent applications contain "various bits and pieces" of the claimed invention. *Id.* The application in *Janin* comes far closer to meeting the Section 112, Para. 1 standard than did the application in *Scheiber*. Nevertheless, *Janin*'s application did not satisfy that standard, despite the Board's allowance of an earlier filing date. The claims at issue in *Janin* were not completely supported by the disclosure of any one parent application, and, thus, could not meet the Section 112, Para. 1 requirement. *Id.* ("[W]e recognize support for the subject matter of claim 13 is dependent upon the combined disclosures of both parent applications."). Accordingly, this court finds unpersuasive the Board's attempt in *Janin* to limit the holding of *Scheiber* and circumvent the Section 112, Para. 1 standard. Thus, this court affirms the district court's ruling that the disclosures of two earlier filed applications cannot be combined to acquire an earlier filing date under 35 U.S.C. Section 120.

[3] SGK concedes that it could not add the '698 patent claims to either the 482,412 or the 514,068 applications without introducing new matter. Specifically, the 482,412 application disclosed only the polymerization of ethylene olefins, while the '698 patent claims polymerization of a broader class of

alpha-olefins. Similarly, the 514,068 application disclosed the use of catalysts from a narrower group of metal compounds than the '698 patent. Neither the 482,412 nor the 514,068 application alone shows complete possession of the invention claimed in the '698 patent. Because individual claims of the '698 patent could not have been added to any single, previously-filed application, the '698 patent is not eligible for an earlier filing date. Based on its original filing date, the '698 patent is anticipated by the Belgian Patent.

This court, consequently, affirms the district court's grant of summary judgment of invalidity under 35 U.S.C. Section 102(b) of claims 1-6 and 14 of the '698 patent. Additionally, because claims 1-6 and 14 are invalid, this court need not reach the issue of claim construction with regard to these claims.

### III.

In its order holding claims 1-6 and 14 invalid, the district court stated:

The Court ORDERS that Defendant Shell Oil Company's Motion for Summary Judgment That claims 1-6 and 14 of U.S. Patent No. 4,125,698 Are Invalid is GRANTED. Defendant Shell's Motion for Summary Judgment of Noninfringement of U.S. Patent No. 4,125,698 is DENIED as moot. Trial will proceed on Plaintiff Studiengesellschaft Kohle's claim for breach of contract.

The district court declined to rule on infringement of claim 13 by Shell's polypropylene operations and infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations.

Looking first at claim 13, SGK alleges infringement of the '698 patent in its complaint, without specifying any particular claims. The complaint states that SGK "elects to treat defendant's [Shell's] manufacture of polypropylene as an infringement of plaintiff's [SGK's] U.S. patent 4,125,698." At no point did SGK express an intent to drop its assertion that Shell infringed claim 13. Nevertheless, Shell alleges that SGK implicitly dropped claim 13 from the suit when it failed to reassert that claim after Shell's "dispositive" summary judgment motion.

[4] Shell's summary judgment motion sought a judgment of noninfringement of claims 1-6 and 14 of the '698 patent. Resolving this motion, the trial court stated: "Defendant's motion for summary judgment is granted. Shell Oil Company has not

Page 1679

infringed U.S. Patent No. 4,125,698." SGK, after Shell's motion, reasserted infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations, but did not reassert infringement of claim 13 by Shell's polypropylene operations. SGK, however, did not state that infringement of claims 7, 9-12, and 15 by the polybutylene operations were the only issues remaining in the suit. The record does not reveal, nor does the district court offer, any valid reason for declining to consider the claim 13 infringement question. This court determines that infringement of claim 13 remains before the district court. On remand, the district court will have an opportunity to address this claim.

Next, this court considers the issue of infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations. In its final judgment, the district court perceived "no claim before the Court raising the question of whether any of the defendant's polybutylene operations infringe U.S. Patent 4,125,698." SGK purports to have added infringement by Shell's polybutylene operations to the pleadings by operation of law.

With regard to amendments by operation of law under Fed. R. Civ. P. 15(b), this court applies the law of the regional circuit. *See Bidex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 856, 20 USPQ2d 1252, 1258 (Fed. Cir. 1991). The Fifth Circuit reviews the denial of a motion to amend pleadings for an abuse of discretion. *See Norman v. Apache Corp.*, 19 F.3d 1017, 1021 (5th Cir. 1994); *Avatar Exploration, Inc. v. Chevron, U.S.A.*, 933 F.2d 314, 320-21 (5th Cir. 1991). An appellate court, however, may set aside a discretionary decision which rests on an erroneous interpretation of law or on clearly erroneous factual underpinnings. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1039, 22 USPQ2d 1321, 1333 (Fed. Cir. 1992) (in banc).

[5] When declining to address infringement of the '698 patent by Shell's polybutylene operations, the

district court stated that the claim involving polybutylene appears for the first time in the joint pretrial order. To the contrary, the record reveals that the polybutylene claim first appears in Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment. In fact, Shell recognized and opposed SGK's introduction of the issue. Thus, the district court clearly erred in finding that SGK only introduced the polybutylene issue at the pretrial order stage.

Further, despite the district court's contrary statement, a plaintiff may -- under some circumstances -- introduce a new cause of action through its pretrial order. Fed. R. Civ. P. 15(b) permits, with the express or implied consent of the parties, the trial of issues not raised by the pleadings. Although this court is unaware of any Fifth Circuit Court of Appeals case law directly addressing introduction of a new cause of action through a pretrial order, *but see Marsh Inv. Corp. v. Langford*, 620 F.Supp. 880, 883 (E.D. La. 1985); *Silver v. Nelson*, 610 F.Supp. 505, 520 (E.D. La. 1985), the Fifth Circuit has advocated a liberal policy toward allowing such amendments, *see Mineral Indus. & Heavy Const. Group v. Occupational Safety and Health Review Comm'n*, 639 F.2d 1289, 1292 (5th Cir. 1981).

Additionally, other circuits have permitted introduction of new causes of action through both stipulations and pretrial orders. *See Blackwell v. Regal Cab Co.*, 316 F.2d 398, 399-400 (D.C. Cir. 1963); *Bucky v. Sebo*, 208 F.2d 304, 305 [99 USPQ 357] (2d Cir. 1953); *see also* 3 James Wm. Moore, *Moore's Federal Practice*, Para. 15.13 [2] (2d ed. 1996). Because the district court erred in overlooking the Fed. R. Civ. P. 15(b) procedure, and clearly erred in finding that SGK delayed raising infringement by Shell's polybutylene operations until the pretrial order, this court reverses, and remands the issue of infringement of claims 7, 9-12, and 15 for further consideration.

#### IV.

The district court also certified a question concerning the effect of an invalidity finding on unpaid royalties. *See* 28 U.S.C. Section 1292(b) (1994). According to the 1987 licensing agreement, Shell agreed to pay SGK a 1.5% running royalty on the sale of any polypropylene, produced with a heavy metal catalyst as defined in claim 1 of the '698 patent, in excess of 450 million pounds per year. Further, as discussed above, this agreement obligated Shell to give a yearly accounting of its entire polypropylene production, specifying "the amount of Polypropylene produced which it considers as falling outside of the license." The agreement obligated Shell to provide SGK with sufficient information to allow independent evaluation of whether its production falls outside the scope of the license. The record shows that Shell breached this contract by producing polypropylene under the Seadrift Process, without either paying royalties or reporting the production as outside of the license. [6] Nothing in this license made payment of royalties contingent upon the validity of the '698 patent. Setting aside momentarily both federal patent law and policy, this

Page 1680

contract -- regardless of the patent's validity -- obligates Shell to pay royalties on polypropylene produced in accordance with claim 1 of the '698 patent. In other words, contract law governs the enforcement of the license. Enforcement of these contract terms is not contingent upon validity of the patent which defines the subject matter of the license. Assuming that the Seadrift Process infringes claim 1 of the '698 patent and thus fits within the terms of the license, Shell breached the license by failing to pay royalties. Enforcement of the license, if the Seadrift Process infringes the '698 patent, would require Shell to pay back royalties.

With a patent licensing agreement at stake, this court examines the contract for rare, but potential, conflicts between state contract law and federal patent law. For example, in *Lear v. Adkins*, 395 U.S. 653 [162 USPQ 1] (1969), the Supreme Court prevented the enforcement of a valid royalty payment agreement to facilitate a determination of patent validity. Specifically, the Supreme Court declined to estop a patent licensee from contesting the validity of the licensed patent. *See id.* at 674; *Cordis Corp. v. Medtronic, Inc.*, 780 F.2d 991, 995, 228 USPQ 189, 191-92 (Fed. Cir. 1985). In tones that echo from a past era of skepticism over intellectual property principles, the Court in *Lear* feared that

[1] licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification. We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest. . . .

*Lear* , 395 U.S. at 670. Thus, in examining the interface between national patent policy and state contracts, the Supreme Court requires this court to consider "whether overriding federal policies would be significantly frustrated" by enforcing the license. *Id.*

This court encountered the *Lear* test when an assignor-inventor and his company sought to defend against an infringement action by challenging the validity of the assigned patents. See *Diamond Scientific Co. v. Ambico, Inc.* , 848 F.2d 1220, 6 USPQ2d 2028 (Fed. Cir. 1988). With careful consideration of the *Lear* test and policies, this court nonetheless estopped the assignor from challenging the validity of the patent:

To allow the assignor to make that representation [of the worth of the patent] at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage) could work an injustice against the assignee. . . . [D]espite the public policy encouraging people to challenge potentially invalid patents, there are still circumstances in which the equities of the contractual relationships between the parties should deprive one party . . . of the right to bring that challenge.

*Diamond Scientific* , 848 F.2d at 1224-25. Indeed, in several other settings, this court has distinguished *Lear* . See , e.g. , *Foster v. Halco Mfg. Co.* , 947 F.2d 469, 476-77, 20 USPQ2d 1241, 1246-47 (Fed. Cir. 1991) (*Lear* does not bar enforcement of settlement agreement and consent decree); *Sun Studs, Inc. v. ATA Equip. Leasing, Inc.* , 872 F.2d 978, 991-93, 10 USPQ2d 1338, 1349-51 (Fed. Cir. 1989) (*Lear* does not bar enforcement of contract promise to share royalties); *Hemstreet v. Spiegel, Inc.* , 851 F.2d 348, 350-51, 7 USPQ2d 1502, 1504 (Fed. Cir. 1988) (*Lear* does not bar enforcement of settlement agreement to pay royalties even if patent later held invalid).

[7] As in *Diamond Scientific* , this court detects no significant frustration of federal patent policy by enforcing the 1987 license agreement between Shell and SGK, to the extent of allowing SGK to recover royalties until the date Shell first challenged the validity of the claims. First, as in *Diamond Scientific* , Shell executed a contractual agreement which produced significant benefits for the corporation and attested to the worth of the patent. Under the agreement (with its provision for Shell to notify SGK of all polypropylene production), Shell had the benefits of producing polypropylene insulated from unlicensed competition, insulated from investigations of infringement, and even insulated from royalties (until SGK's discovery of the Seadrift Process). To these benefits, Shell now seeks to add the benefit of abrogating its agreement and avoiding its breach of the contract. Following the reasoning of *Diamond Scientific* , this court must prevent the injustice of allowing Shell to exploit the protection of the contract and patent rights and then later to abandon conveniently its obligations under those same rights. See *Diamond Scientific* , 848 F.2d at 1224-25; see also *Cordis Corp.* , 780 F.2d at 995 (quoting *Warner-Jenkinson Co. v. Allied Chem. Corp.* , 567 F.2d 184, 188, 193 USPQ 753, 757 (2d Cir. 1977) ("It would not be fair for the [licensee] to be allowed simultaneously to reap all the benefits of the licensing agreement and to deprive the licensor of all his royalties.")).

[8] Just as important, however, Shell's apparent breach of its duty to notify under the agreement is itself more likely to frustrate

federal patent policy than enforcement of the contract. As already noted, *Lear* focused on the "full and free use of ideas in the public domain." *Lear* , 395 U.S. at 674. By abrogating its notification duty, Shell delayed a timely challenge to the validity of the '698 patent and postponed the public's full and free use of the invention of the '698 patent. Shell enjoyed the protection of the license from 1987 until SGK became aware of the Seadrift Process. Upon SGK's discovery of its Seadrift process, Shell suddenly seeks the protection of the *Lear* policies it flouted for many years. However, a licensee, such as Shell, cannot invoke the protection of the *Lear* doctrine until it (i) actually ceases payment of

royalties, and (ii) provides notice to the licensor that the reason for ceasing payment of royalties is because it has deemed the relevant claims to be invalid. Other circuits addressing this issue have arrived at the same conclusion. *See*, e.g., *Rite-Nail Packaging Corp. v. Berryfast, Inc.*, 706 F.2d 933, 936-37 [ 219 USPQ 104 ] (9th Cir. 1983); *Hull v. Brunswick Corp.*, 704 F.2d 1195, 1203 218 USPQ 24 ] (10th Cir. 1983); *American Sterilizer Co. v. Sybron Corp.*, 614 F.2d 890, 897-98 [ 205 USPQ 97 ] (3d Cir. 1980); *PPG Indus., Inc. v. Westwood Chem., Inc.*, 530 F.2d 700, 706, 708 [ 189 USPQ 399 ] (6th Cir. 1976).

In this factual setting, therefore, enforcement of the license according to its terms, even if this entails a determination of whether the Seadrift process infringes a now-invalidated patent, does not frustrate federal patent policy. Accordingly, this court remands this case to the district court for enforcement of the license (prior to the date Shell first challenged the validity of the claims) and, if necessary, computation of back royalties.

## V.

In accordance with this opinion, this court affirms the district court holding that claims 1-6 and 14 are invalid under 35 U.S.C. Section 102(b). This court, however, remands the case to the district court for proper consideration of infringement of claim 13, infringement by Shell's polybutylene operations, and infringement of the '698 patent by the Seadrift Process -- including a determination of back royalties if necessary.

## COSTS

Each party shall bear its own costs. *AFFIRMED-IN-PART, REVERSED- IN-PART, AND REMANDED*

## Footnotes

Footnote 1. SGK additionally relies on *Carusi v. Looker*, 342 F.2d 112, 144 USPQ 670 (CCPA 1965). *Carusi*, however, provides no support for this proposition. First, *Carusi* dealt with conception and reduction to practice in an interference case, rather than 35 U.S.C. Section 120. The PTO had previously allowed Looker an earlier effective filing date, but that decision was not challenged on appeal. Second, the prosecution history shows that Looker had successfully added the claim at issue to one of his parent applications, prior to the filing of his CIP application, without raising a 35 U.S.C. Section 112 rejection. Thus, one of the parent applications alone must have contained sufficient disclosure to meet the 35 U.S.C. Section 112, Para. 1 standard.

- End of Case -

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